MOOSE LAKE LOGGERS LTD.

ANNUAL REPORT

1984-85

MOOSE LAKE LOGGERS LTD.

BOARD OF DIRECTORS

Clement Jones - Chairperson
Manager, Ducks Unlimited

F. G. Marvin
President, Spruce Products Ltd.

H. Holmgren
President, E. Holmgren & Sons

R. Grey
Foreman, Moose Lake Loggers Ltd.

H. Boyle
Regional Manager, Department of Natural Resources

L. Easter
Band Member, Moose Lake Indian Band

J. Martin
Welder, Moose Lake Community

J. Mercredi
Logger, Moose Lake Loggers Ltd.

G. P. Trithart
Director, Corporate Projects
Department of Northern Affairs

OFFICERS

Clement Jones
President

R. J. Kivisto
General Manager

G. P. Trithart
Secretary/Treasurer

HEAD OFFICE: Moose Lake, Manitoba

TABLE OF CONTENTS

		PAGE
I.	INTRODUCTION	1
II.	MAJOR DEVELOPMENTS	1
III.	REVIEW OF RESULTS	3
	A. Financial Results	3
	B. Production	4
	C. Other Benefits	5
	D. Training	5

APPENDIX - Audited Financial Statements For
The Year Ended March 31, 1985

ANNUAL REPORT - MOOSE LAKE LOGGERS LTD.

APRIL 1, 1984 - MARCH 31, 1985

I. INTRODUCTION

Moose Lake Loggers Ltd. is a Crown Corporation formed in 1971 under the authority of the Manitoba Natural Resources Development Act for the purpose of establishing an economically viable logging operation providing employment for residents of Moose Lake and surrounding areas. The Corporation also has a mandate to train local residents to fill the jobs created, with the ultimate goal being management by local residents.

The Company uses skidders to harvest sawlogs and pulpwood for sale to Manitoba Forestry Resources Ltd. in The Pas. Most of the Company's employees are native people from Moose Lake, Manitoba, a community located near valuable forestry resources but with a traditionally serious lack of employment opportunities.

II. MAJOR DEVELOPMENTS

Following six years of continuous losses to March 31, 1977 (the accumulated total of which was $551,000), the Company has experienced profits in five of the last eight years of operation as follows:

Year Ending March 31st.	Profit (Loss)
1985	$ 37,952
1984	(51,042)
1983	1,029
1982	(98,286)
1981	127,544
1980	(18,306)
1979	54,420
1978	52,994

...2/

Despite the many operational problems which have been encountered over the past eight years and a poor world market in recent times, the Company is encouraged with its performance which no longer relies on Government subsidy.

Credit for the improved performance must be attributed largely to the General Manager, Mr. Reino Kivisto, and his staff who have worked tirelessly with the Company's Board of Directors and the Community of Moose Lake. The people of Moose Lake have also genuinely participated in the Company's success through their representation on the Board of Directors, the support provided by their elected leaders, and most importantly, through the hard work of the Company's employees from Moose Lake.

Despite depressed world markets in the pulp, paper and lumber industries in 1984-85, the Company was able to sell 88% of its normal annual production goal of 72,000 cords. This is the fourth consecutive year in which the Company was producing below capacity.

Improved sales and the Company's decision to allow employees to take their holidays during normal production periods resulted in an improvement in the layoff period to five weeks in 1984-85 (compared to 13 weeks in 1983-84).

During the summer of 1984, the Company housed 10 to 12 employees from the Department of Natural Resources. These employees were carrying out a small reforestation project in the area.

Production now originates from twenty seven Owner/Operated machines, of which twenty are owned by Indian entrepreneurs from the area. Owner/Operators (an operational objective of the Company) are individuals who own and operate their own skidder utlizing a two or three man crew. Once a local resident has developed the necessary skills and demonstrated a willingness to be a steady employee, the Company encourages him/her to become an Owner/Operator.

...3/

III. REVIEW OF RESULTS

A. Financial Results

Appended to this report are the Provincial Auditor's audited financial statements for the year ended March 31, 1985. These statements report a profit of $37,952 for 1984-85 compared to a loss of $51,042 for the previous year.

The improved financial results for the period under review can be attributed to a production increase of 14,345 cords over the previous year.

The following table illustrates per cord costs for major expenditure categories over the past two years.

Cost Category	1984-85	1983-84
Wages & Benefits	$30.38	$32.08
Equipment	10.85	10.48
Fuel	3.07	3.10
Total Direct Logging	37.31	37.55
Total Camp Operations	11.32	11.92
Total Administrative	4.00	4.71

The following table provides key results of the Company for the last ten fiscal years.

Year Ending March 31st	Production Revenue	Wages & Fringe Benefits	Owner/Operator Rentals	Employment
1985	$3,226,525	$1,930,131	$689,111	74
1984	2,421,091	1,578,101	515,286	74
1983	2,782,529	1,658,611	549,773	68
1982	2,587,539	1,662,882	563,575	67
1981	2,809,289	1,689,121	587,374	68
1980	2,077,031	1,343,031	396,453	59
1979	1,952,382	1,262,000	319,779	57
1978	1,943,545	1,285,000	214,663	58
1977	881,830	745,000	68,052	42
1976	649,758	518,000	24,539	34

...4/

B. Production

Production in fiscal year 1984-85 was 63,545 cords, an increase of 14,345 cords from the previous year.

A comparison of annual production, in cords, for the last ten years is provided in the following table.

Year Ending March 31st	Company Skidders	Owner/ Operators	Total
1985	-	63,545	63,545
1984	-	49,200	49,200
1983	-	57,011	57,011
1982	-	65,532	65,532
1981	-	81,564	81,564
1980	-	68,034	68,034
1979	14,989	51,167	66,606
1978	21,450	39,540	60,990
1977	24,960	6,770	31,730
1976	20,150	4,790	24,940

Manfor Ltd. is the sole outlet for the Company's production. Manfor's depressed market for paper and lumber has resulted in contract cutbacks from the Company's normal production capacity of 72,000 cords for the fourth consecutive year.

This is the sixth consecutive year in which 100% of the Corporation's pulpwood production came from Owner/ Operators. The Company's objective of converting from Company owned machines to skidder Owner/Operators has resulted in increased production. Some 74% (20 of 27) skidders) of these machines are now owned and operated by local native residents of the area.

Absenteeism remains the major problem affecting production and still demands a considerable amount of supervision.

...5/

C. Other Benefits

Employment remains constant at 74 employees. Some Owner/Operators decided to increase their operation from two to three man crews, thus making the machine more productive. Approximately 80% of those employed are Indian residents of Moose Lake, Cormorant, Cranberry Portage and The Pas. Excluding The Pas, there is little or no alternate employment in these communities, except for traditional commercial fishing and trapping which is seasonal at best. Included in the 74 employees are 59 piece workers, 7 hourly and 8 salaried staff. It is interesting to note that the average annual salary in 1984-85 exceeded $26,000 (compared to $20,000 last year and $24,000 in the two prior years).

The Company maintains a store facility which provides a variety of clothing, confectionary items and saw parts for employees. Parts and services for Owner/Operators are also ordered although some Owner/Operators have developed to the stage where they operate quite independently from the Company.

D. Training

The Company continues to provide on the job training. This training has produced the following favourable results.

	Total Staff		Native Staff	
	1984/85	1983/84	1984/85	1983/84
Office	3	3	3	2
Foreman	3*	3*	3*	3*
Kitchen and Dorms	7	7	7	7

* One part-time

Manitoba

MOOSE LAKE LOGGERS LTD.

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the balance sheet of Moose Lake Loggers Ltd. as at March 31, 1985 and the statements of retained earnings, revenues and expenditures, and changes in financial position, and the schedule of operating expenditures for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

F. M. Jackson, C.A.,
Provincial Auditor.

September 26, 1985,
Winnipeg, Manitoba.

[illegible] LAKE LODGES LTD.

Balance Sheet
as at March 31, 1985
(with 1984 figures for comparison)

ASSETS

	1985	1984
Current assets:		
Cash, less outstanding cheques	$ 2,289	$ (61,322)
Short term deposits	51,025	-
	53,314	(61,322)
Accounts receivable:		
Trade	87,351	182,417
Employees	31,951	12,970
Government of the Province of Manitoba	8,478	6,194
	127,780	201,581
Loans receivable from sub-contractors re purchase of equipment - unsecured	76,577	89,790
Inventories, at cost	86,598	63,690
Prepaid expenses	2,936	3,667
Total current assets	347,205	297,406
Fixed assets, at cost: (Note 4)		
Buildings and trailers	509,829	509,829
Less accumulated depreciation	318,968	244,297
	190,861	265,532
Equipment	250,156	268,172
Less accumulated depreciation	172,377	155,496
	77,779	112,676
Other assets, at cost: (Note 4)		
Campsite improvements	116,817	116,817
Less accumulated amortization	82,743	59,015
	34,074	57,802
Main road construction	235,321	235,321
Less grants received	156,000	156,000
	79,321	79,321
Less accumulated amortization	65,790	59,437
	13,531	19,884
Total fixed and other assets	324,245	455,894
	$ 671,450	$ 753,300

Approved by the Board:

Director _____

Director

LIABILITIES AND SHAREHOLDERS' EQUITY

	1985	1984
Current liabilities:		
Accounts payable and accrued liabilities:		
Trade	$ 44,488	$ 30,27[illegible]
Government of the Province of Manitoba	2,089	3,04[illegible]
Wage deductions	30,319	20,07[illegible]
Employees	23,295	60,[illegible]
Total current liabilities	100,191	109,37[illegible]
Conditional sales agreement (Note 5)	88,779	100,69[illegible]
Total liabilities	188,970	210,07[illegible]
Shareholders' equity:		
Capital stock (Note 2):		
Authorized - 35,000 common shares for a maximum consideration of $350,000		
Issued and fully paid - 30,000 common shares	300,000	300,00[illegible]
Contributed surplus:		
Grant from the Government of Canada towards capital expenditures	9,729	9,72[illegible]
Retained earnings, Exhibit B	172,751	233,50[illegible]
Total shareholders' equity	482,480	543,22[illegible]
	$ 671,450	$ 753,30[illegible]

MOOSE LAKE LOGGERS LTD.

Statement of Retained Earnings
for the year ended March 31, 1985
(with 1984 figures for comparison)

	1985	1984
Balance, beginning of year	$ 98,635	$ 149,67
Less: Revenues over (under) expenditures, Exhibit C	37,952	(51,04
Balance, end of year, Exhibit A	$ 136,587	$ 98,63

MOOSE LAKE LOGGERS LTD.

Statement of Revenues and Expenditures
for the year ended March 31, 1985
(with 1984 figures for comparison)

	1985	1984
Revenues:		
Log cutting contract - Manfor Ltd.	$ 3,226,525	$ 2,421,091
Commissary sales	406,244	247,045
Board charges	82,950	47,796
Road maintenance	19,596	18,629
Interest income	9,286	4,808
Trainee reimbursement	2,366	39,437
Accounting service fees	2,225	3,200
Equipment rental	498	4,164
Reforestation Program (Note 6)	275	145,467
Miscellaneous	1,662	10,107
Total revenues	3,751,627	2,941,744
Expenditures, Exhibit E:		
Log cutting contracts	2,370,699	1,847,099
Camp operations	1,088,827	810,081
General and administrative	254,149	231,338
Reforestation Program (Note 6)	-	104,268
Total expenditures, Exhibit E	3,713,675	2,992,786
Revenues over (under) expenditures, Exhibit B	$ 37,952	$ (51,042)

Exhibit D

MOOSE LAKE LOGGERS LTD.

Statement of Changes in Financial Position
for the year ended March 31, 1985
(with 1984 figures for comparison)

	1985	1984
Source of funds:		
Operations:		
Revenues over (under) expenditures	$ 37,952	$ (51,042)
Add: Charges not involving an outlay of funds - depreciation and amortization	136,405	137,896
	174,357	86,854
(Gain) loss on sale of fixed assets	(4,865)	327
	169,492	87,181
Proceeds from sale of fixed assets	30,031	512
	199,523	87,693
Use of funds:		
Purchase of fixed and other assets	29,921	79,550
Conditional sales agreement	111,134	74,989
	141,055	154,539
Increase (decrease) in working capital	$ 58,468	$ (66,846)

MOOSE LAKE LOGGERS LTD.

Schedule of Operating Expenditures
for the year ended March 31, 1985
(with 1984 figures for comparison)

	1985	1984
Log cutting contracts:		
Wages and benefits	$ 1,518,123	$ 1,193,994
Equipment rental	689,111	515,286
Fuel and oil	105,348	66,211
Repairs and maintenance	30,678	32,389
Miscellaneous supplies	16,978	33,188
Depreciation	9,144	5,237
Insurance	1,317	794
Exhibit C	2,370,699	1,847,099
Camp operations:		
Wages and benefits	271,878	187,362
Provisions	147,532	92,752
Depreciation	103,084	109,269
Fuel and oil	89,323	86,115
Repairs and maintenance	64,124	63,364
Interest on conditional sales agreement (Note 5)	17,486	26,936
Freight	12,499	4,910
Insurance	6,356	7,700
Amortization - main road	6,353	4,924
Equipment rental	455	2,851
	719,090	586,183
Commissary - cost of sales	369,737	223,898
Exhibit C	1,088,827	810,081
Carried forward	$ 3,459,526	$ 2,657,180

MOOSE LAKE LOGGERS LTD.

Schedule of Operating Expenditures
for the year ended March 31, 1985
(with 1984 figures for comparison)

	1985	1984
Brought forward	$ 3,459,526	$ 2,657,180
General and administrative:		
Wages and benefits	140,130	134,689
Health and post secondary education tax levy	25,848	20,714
Depreciation	17,433	17,425
Professional fees	17,080	15,700
Fuel and oil	13,370	12,084
Directors' travel	8,023	1,971
Profit sharing plan	6,697	-
Directors' fees and salaries	4,600	4,319
Communications	4,549	5,841
Repairs and maintenance	4,377	2,542
Insurance	3,906	2,628
Stationery and supplies	3,015	3,576
Travel	2,026	5,455
Miscellaneous	7,960	4,067
(Gain) loss on sale of fixed assets	(4,865)	327
Exhibit C	254,149	231,338
Reforestation Program:		
Wages and benefits	-	57,737
Provisions	-	23,884
Equipment rental	-	10,671
Miscellaneous supplies	-	9,280
Fuel and oil	-	1,752
Miscellaneous	-	944
Exhibit C	-	104,268
Total expenditures, Exhibit C	$ 3,713,675	$ 2,992,786

MOOSE LAKE LOGGERS LTD.

Notes to Financial Statements
for the year ended March 31, 1985

1. **Accounting Policies**

The accounting policies of the company are in accordance with generally accepted accounting principles and their basis of application, is consistent with that of the preceding year.

Fixed assets:
Fixed assets are stated at cost. It is the company's policy to provide for depreciation and amortization of fixed assets on the basis shown in note 4.

Revenue recognition:
Pulpwood sales are recognized on the basis of pulpwood delivered to roadside and scaled in accordance with the terms of the sales contract.

2. **Capital Stock**

The issued shares are held by the Government of the Province of Manitoba except for nine shares which are held by the appointed directors in trust for Her Majesty the Queen in right of the Province of Manitoba.

3. **Services Provided by the Government of the Province of Manitoba**

The Government of the Province of Manitoba provides the services of the Secretary-Treasurer and other miscellaneous administrative services at no charge to the Company. The Government of the Province of Manitoba also provides Workers Compensation coverage for Company staff at no charge to the Company.

4. **Fixed Assets and Other Assets**

The Company depreciates its fixed assets and amortizes its other assets on the following basis:

	Annual Rate
A) Depreciation	
a) Straight line	
Buildings	10-33 1/3%
Trailers	15-33 1/3%
Equipment	20-33 1/3%
b) Diminishing balance	
Trucks	30%

MOOSE LAKE LOGGERS LTD.

Notes to Financial Statements
for the year ended March 31, 1985

4. **Fixed Assets** (continued)

	Annual Rate
B) Amortization	
a) Straight line	
Campsite improvements	12 1/2 - 33 1/3%
b) Other	
Main road construction	10 cents per cord sold

5. **Conditional Sales Agreement**

The conditional sales agreement reflects the amount owing on the purchase of the Talbot Lake Camp from Manfor Ltd., a company wholly-owned by the Government of the Province of Manitoba. The terms of the agreement provide limitations on the actions the Company can take with respect to the Talbot Lake Camp. The principal and interest, at the prime rate charged monthly by Manfor Ltd., is repayable over eight years with the final payment due October 1, 1989. The yearly repayment is based on an allowance per cord sold. At the current rate of repayment this liability may be discharged prior to October 1, 1989.

6. **Reforestation Program**

The Company undertook a reforestation program under an employment creation agreement with the Government of the Province of Manitoba, the Government of Canada and the International Woodworkers of America (Local 1-324). The agreement provides that the Company recovers all expenditures pertaining to the reforestation program. The excess of revenue over expenditure pertaining to the program results from the indirect expenditure pertaining to camp operations and administration not being allocated to the program. This program terminated March 31, 1984 with minor adjustments noted in revenues for 1985.